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Message Text

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61
ACTION ABF-01

INFO OCT-01 ARA-06 IO-10 ISO-00 FS-01 OPR-02 A-01 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

DODE-00 PA-01 USIA-06 PRS-01 AGR-05 /071 W
---------- 022509
P R 152100Z APR 75
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC PRIORITY 0779
INFO AMEMBASSY MONTEVIDEO
USMISSION GENEVA

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GENEVA FOR MTN

E.O. 11652: N/A
TAGS: EFIN, AR
SUBJECT: GOA DEVALUES TOURIST DOLLAR

1. APRIL 14, GOA RAISED EXCHANGE RATE FOR ARGENTINE TOURISTS FROM 19.10 PESOS PER DOLLAR TO 25 PESOS PER DOLLAR (I.E. FROM 15.10 PLUS 4 PESO TAX TO 21 PLUS 4 PESO TAX). THIS CONSTITUTES EFFECTIVE DEVALUATION 31 PERCENT FOR TOURIST DOLLAR. MAXIMUM ALLOWANCES FOR TOURISTS LEFT UNCHANGED I.E. $70 FOR TRAVEL NEIGHBORING COUNTRIES AND $900 ($30 DAY) FOR OTHER TRAVEL. EXCHANGE RATE FOR PURCHASE AIR, RAIL AND SEA TICKETS CONTINUES FINANCIAL RATE OF 15.10 PESOS PER DOLLAR.

2. IN RELATED MOVE, CENTRAL BANK SUSPENDED TOURIST AND OTHER FOREIGN EXCHANGE ACTIVITIES OF EXCHANGE HOUSES AND OTHER ENTITIES OPERATING IN THAT MARKET. FOR TIME BEING AT LEAST, ALL FOREIGN EXCHANGE
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TRANSACTIONS MUST BE HANDLED THROUGH BANKS AT

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OFFICIAL RATES. THIS ACTION TAKEN TO SUPPRESS
PARALLEL MARKET WHICH HAS BEEN OPERATING QUITE
FREELY UNTIL NOW.

3. IMPORTANT MEETING OF ECONOMIC CABINET
SCHEDULED FOR TONIGHT (APRIL 15), QUITE POSSIBLY
TO REACH DECISION ON FURTHER EXCHANGE AND IMPORT
MEASURES.

4. COMMENT: BY THESE MEASURES, CENTRAL BANK
INCREASES ITS CONTROL OF FOREIGN EXCHANGE OPERATIONS
AND ENDS OPEN TOLERATION OF PARALLEL MARKET. WE
EXPECT PARALLEL MARKET TO CONTINUE TO OPERATE,
BUT NOW ON MORE LIMITED AND UNDERGROUND BASIS.
CENTRAL BANK MOTVATION MAY HAVE BEEN PARTLY
ECONOMIC (BALANCE OF PAYMENTS AND RESERVE PROTECTION)
AND PARTLY POLITICAL (CRACKING DOWN ON SPECULATORS).
ONE RESULT OF NEW MEASURES WILL BE ADDITIONAL
HEADACHES FOR COMMERCIAL BANKS WHICH MUST NOW
SERVICE LARGE VOLUME OF TOURIST EXCHANGE TRANS-
ACTIONS. WE ASSUME EXTERNAL BOND MARKET WILL CON-
TINUE TO OPERATE AS BEFORE BUT GOA INTENTIONS IN
THIS GREY AREA NOT YET CLEAR.
HILL

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